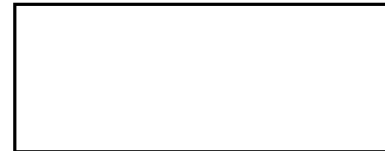


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INDIA-PAKISTAN: Islamabad has publicly acknowledged New Delhi's offer for direct talks on outstanding bilateral issues without preconditions, but negotiations do not yet appear imminent.

According to press reports, President Bhutto welcomed the Indian offer but added that he would not reply until after President Nixon leaves China. Bhutto has stated previously that he favors direct talks with Prime Minister Gandhi at the earliest opportunity.

In an interview last week, Bhutto singled out the Indian "occupation" of Bangladesh and Kashmir--without specifying which aspect of the Kashmiri problem--as the two fundamental disputes between India and Pakistan. He gave no clear indication whether he favors tackling all outstanding problems in future negotiations or only those arising from hostilities last December.

In any event, peace talks probably will not get under way before mid-March. New Delhi is currently occupied with state elections to be held between 5 and 11 March in 16 of its 21 states, and it is unlikely that Bhutto would agree to talks prior to the departure of all Indian troops from Bangladesh, scheduled to be completed by 25 March. Bhutto, however, aware of domestic pressure for a return of POWs, might want to set a date before Pakistan's provincial assemblies convene on 23 March.

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DAHOMY: Dissident military elements are threatening to overthrow the civilian regime headed by President Maga.

Several weeks of plotting by politically ambitious military and civilian elements culminated early yesterday in the attempted assassination in Cotonou, Dahomey's administrative center, of the army chief of staff by five young soldiers. The army chief was slightly wounded; President Hubert Maga canceled a visit to France scheduled for yesterday and broadcast a radio appeal for popular support. He said the assailants were from the garrison at nearby Ouidah, which has been in a virtual state of mutiny since late January.

Later in the day, some 90 paratroops from Ouidah deployed outside the main army camp in Cotonou where "mutinous troops" were said to be holed up. It is not clear who ordered the Ouidah troops to Cotonou or what connection, if any, this episode has with the assassination attempt against the chief of staff. Top military officers, including several veterans of past coups, have been seen entering and leaving the besieged camp where negotiations of some sort are evidently in progress.

Even if the Presidential Council weathers this current threat, turbulence is likely to continue as the change-over of the presidency from Hubert Maga to Justin Ahomadegbe, scheduled for May, approaches. Ahomadegbe has long been at odds with the military.

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ARGENTINA: The government again has opted for "hidden" devaluation through manipulation of its multiple exchange rate system rather than a major and much-needed formal devaluation.

After the sudden closure of all exchange markets on 22 February, financial observers expected that the government would take strong action to fortify the seriously overvalued peso in order to strengthen the hand of its team now negotiating a \$1-billion loan package from international organizations, and US and European banks. Instead, the government substantially increased exports and imports to be traded at the financial exchange rate--currently about 9.6 pesos to the dollar--rather than at the trade rate of five pesos.

Financial observers in Buenos Aires estimate that these changes will result in a de facto devaluation of 9.2 percent, far too small to stem the current capital flight or to halt the deterioration in the trade account that reached a deficit of about \$200 million by the end of 1971. The country's 40-percent inflation rate during last year is considerably higher than the total 30-percent devaluation made during the same period. Moreover, the recent de facto devaluation is less than the 11- percent price rise in January.

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TURKEY-CYPRUS: The semiannual rotation of approximately half of the 650-man Turkish Army contingent on Cyprus was completed yesterday without incident. Turkish naval units escorting the troop carrier remained well off shore, although they probably made a symbolic penetration of the 12-mile limit declared by Cyprus but never acknowledged by Ankara. Technical negotiations in Nicosia immediately preceding the rotation were businesslike and among the smoothest of recent years.

CUBA-USSR: Havana and Moscow have signed a trade protocol for 1972 following negotiations that began last November. A major problem during the discussions probably was the expected shortfall in Cuban sugar exports to the USSR this year, which in part has forced Moscow to buy at least 750,000 tons from non-Communist countries for delivery this year. Reduced Cuban exports also will require an increase in Soviet foreign aid, which has been running in the neighborhood of \$400 million annually. Cuba's debt to the USSR now totals more than \$3 billion. Cuba has now signed trade agreements with all its major Communist allies except China. A Chinese delegation is en route to Havana to negotiate this year's protocol.

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CONGO: President Ngouabi's major opponents appear to be in disarray in the wake of the confused events of 22 February. Virtually all of the country's prominent leftist extremists accused of participating in a coup attempt are reportedly either under arrest or being sought. The alleged coup leader, political bureau member Diawara, is evidently still at large. Another important political bureau member, Ambroise Noumazalaye, and the commander of the popular militia are among the detainees. Assuming Ngouabi remains on top, an extensive purge and reorganization of his military-based regime seems sure to follow. Meanwhile, Ngouabi has responded warmly to a congratulatory message from President Mobutu, which could presage warmer relations between Congo and Zaire.

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